

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Priority Mail
Priority Mail Contract 414

Docket No. MC2018-109

Competitive Product Prices
Priority Contract 414 (MC2018-109)
Negotiated Service Agreement

Docket No. CP2018-151

PUBLIC REPRESENTATIVE COMMENTS ON
REQUEST OF THE UNITED STATES POSTAL SERVICE TO ADD
PRIORITY MAIL CONTRACT 414 TO THE COMPETITIVE PRODUCT LIST
(January 17, 2018)

The Public Representative hereby provides comments pursuant to a notice initiating this docket.¹ In that notice, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on the Postal Service's request to add Priority Mail Contract 414 to the competitive products list.²

The Public Representative has reviewed the Postal Service's Request, Statement of Supporting Justification, attached contract, Certification of Compliance with 39 U.S.C. 3633(a), the Postal Service's proposed revised changes to the Mail Classification Schedule (MCS), and the supporting financial models for the contract filed separately under seal.

Product List Assignment. 39 U.S.C. § 3642 requires the Commission to consider whether "the Postal Service exercises sufficient market power that it can effectively set the price of such product substantially above costs, raise prices significantly, decrease quality, or decrease output, without risk of losing a significant level of business to other

¹ Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, December 28, 2017.

² USPS Request to Add Priority Mail Contract 414 to Competitive Product List and Notice of Filing Materials Under Seal. December 27, 2017. (Request)

firms offering similar products.” 39 U.S.C. § 3642(b)(1). Products over which the Postal Service exercises such powers are categorized as market dominant while all others are categorized as competitive.

Based on the information provided by the Postal Service, the Public Representative concludes that the Priority Mail Contract 414 should be categorized as a competitive product and added to the competitive product list.

Requirements of 39 U.S.C. § 3633. Pursuant to 39 U.S.C. § 3633(a), the Postal Service’s competitive prices must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service.

Based upon a review of the financial model, it appears the negotiated prices in the instant contract should generate sufficient revenues to cover costs during the contract term. In addition, the Commission has an opportunity to review the financial results for the instant contract for compliance with 39 U.S.C. § 3633(a) each year of the contract in the Annual Compliance Determination.

The Public Representative respectfully submits the foregoing comments for the Commission’s consideration.

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